

1 State of Arkansas
2 81st General Assembly
3 Regular Session, 1997

As Engrossed: H1/27/97 H2/4/97 S2/18/97

A Bill

HOUSE BILL 1006

4 By: Representative Hogue, McGinnis, Rorie, Baker, Critcher, Luker, Shoffner, Davis, Harris, McGee, Wagner, Trammell, Wooldridge, Lynn, Capps, Booker, Broadway,
5 Stalnaker, Jones, Choate, Lancaster, Jeffress, Newman, Beatty, Sheppard, Faris, Rodgers, Angel, Teague, Dawson, McKissack, Purdom, Madison, Wilkinson, Stewart,
6 McGehee, Hall, Ammons, McJunkin, Whorton, Simmons, Wilkins, Ingram, Northcutt, Cunningham, Wood, Allison, Miller, Wilson, Kidd, Johnson, Walker, Ferrell, Diane
7 Hudson, Bond, Bennett, Dietz, Molinaro, Roberts, French, Terry Smith, Horn, Pappas, Hale, Young, Schexnayder, Wren, Goodwin, Hunton, Maddox, Cook, Thicksten,
8 Lavery, Willems, Curran, Simon, Wallis, Judy Smith, Malone, Flanagan, Vess, Fletcher, and Courtway

9

For An Act To Be Entitled

10 "AN ACT TO INCREASE THE STANDARD INDIVIDUAL INCOME TAX
11 DEDUCTION FROM \$1,000 TO \$2,000 PER TAXPAYER; TO ELIMINATE
12 THE MARRIAGE PENALTY FOR MARRIED TAXPAYERS WHO RECEIVE A
13 SINGLE STANDARD DEDUCTION; TO ADJUST THE REDUCED INCOME
14 TAX RATES TO ELIMINATE THE INCOME TAX ON FAMILIES BELOW
15 THE POVERTY LEVEL; AND TO PROVIDE AN INDIVIDUAL WORKING
16 TAXPAYER INCOME TAX CREDIT BASED ON FEDERAL SOCIAL
17 SECURITY (OASDI) TAX PAID ON THE FIRST \$40,000 OF WAGES
18 AND SALARIES; TO INDEX INDIVIDUAL INCOME TAX RATES BASED
19 ON THE CONSUMER PRICE INDEX; TO DOUBLE THE CHILD CARE TAX
20 CREDIT FROM 10% TO 20% OF THE FEDERAL CREDIT; TO EXCLUDE
21 FROM INCOME GAIN ON THE SALE OF A PRINCIPAL RESIDENCE; TO
22 INCREASE THE AMOUNT OF PROPERTY TAX REFUND BY \$50 AND
23 ADJUST THE INCOME BRACKETS; AND FOR OTHER PURPOSES."

24

25

Subtitle

26 "INCREASES STANDARD DEDUCTION; ADJUSTS
27 REDUCED INDIVIDUAL INCOME TAX RATES;
28 ALLOWS AN INCOME TAX CREDIT BASED ON
29 FEDERAL OASDI TAX PAID; INDEXES
30 INDIVIDUAL INCOME RATES BASED ON CPI;
31 INCREASES CHILD CARE CREDIT; EXCLUDES
32 GAIN ON SALE OF HOME; INCREASES PROPERTY
33 TAX REFUND."

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36 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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SECTION 1. Ark. Code Ann. §26-51-430 is amended to read as follows:

"26-51-430. Deductions - Standard deduction.

(a) In lieu of itemizing deductions, each taxpayer may elect to use the standard deduction.

(b) The standard deduction shall be two thousand dollars (\$2,000) per taxpayer. In the case of a married couple, each spouse shall be entitled to claim a standard deduction of \$2,000."

SECTION 2. Arkansas Code 26-51-301(a) and (b) are amended to read as follows:

"(a) There shall be exempted from state individual income tax the following income categories:

(1) A single individual whose gross income does not exceed seven thousand seven hundred (\$7,700) for any income year;

(2) A married couple filing jointly whose gross income does not exceed fifteen thousand five-hundred dollars (\$15,500) for any income year;

(3) An unmarried head of household, whose gross income for any income year does not exceed twelve thousand dollars (\$12,000).

(b) However:

(1) Any single individual whose gross income for the taxable year is more than seven thousand seven-hundred dollars (\$7,700) but not more than eleven thousand four hundred dollars (\$11,400) may compute the income tax payable on the income in excess of seven thousand seven-hundred dollars (\$7,700) from Reduced Tax Table A in §26-51-302;

(2) Any married couple filing jointly whose gross income for the taxable year is more than fifteen thousand five-hundred dollars (\$15,500) but not more than sixteen thousand two-hundred dollars (\$16,200) may compute the income tax payable on the income in excess of fifteen thousand five-hundred dollars (\$15,500) from Reduced Tax Table B in §26-51-302;

(3) Any head of household whose gross income for the taxable year is more than twelve thousand dollars (\$ 12,000) but not more than sixteen thousand two hundred dollars (\$16,200) may compute the income tax payable on the income in excess of twelve thousand dollars (\$ 12,000) from Reduced Tax Table C in § 26-51-302."

1 SECTION 3. Ark. Code Ann. §26-51-302 is amended to read as follows:

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3 " (A) REDUCED TAX TABLE A - SINGLE

4

5 Income

6	Below	7,701	0
7	7,701	7,800	20
8	7,801	7,900	21
9	7,901	8,000	22
10	8,001	8,100	33
11	8,101	8,200	35
12	8,201	8,300	36
13	8,301	8,400	38
14	8,401	8,500	39
15	8,501	8,600	41
16	8,601	8,700	42
17	8,701	8,800	44
18	8,801	8,900	45
19	8,901	9,000	47
20	9,001	9,100	48
21	9,101	9,200	50
22	9,201	9,300	51
23	9,301	9,400	79
24	9,401	9,500	81
25	9,501	9,600	83
26	9,601	9,700	85
27	9,701	9,800	87
28	9,801	9,900	89
29	9,901	10,000	91
30	10,001	10,100	94
31	10,101	10,200	96
32	10,201	10,300	98
33	10,301	10,400	100
34	10,401	10,500	102
35	10,501	10,600	104
36	10,601	10,700	106

1	10,701	10,800	108
2	10,801	10,900	110
3	10,901	11,000	112
4	11,001	11,100	115
5	11,101	11,200	118
6	11,201	11,300	120
7	11,301	11,400	123

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9

10 Above \$11,400, use standard tax table.

11

12 (B) REDUCED TAX TABLE B - MARRIED

13

14 Income

15	Below	15,501	0
16	15,501	15,600	80
17	15,601	15,700	81
18	15,701	15,800	83
19	15,801	15,900	84
20	15,901	16,000	86
21	16,001	16,100	116
22	16,101	16,200	118

23

24 Above \$16,200, use standard tax table.

25

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27 (C) REDUCED TAX TABLE C

28 HEAD OF HOUSEHOLD

29

30

31 Income

32	Below	12,000	0
33	12,001	12,100	40
34	12,101	12,200	42
35	12,201	12,300	43
36	12,301	12,400	44

1	12,401	12,500	45
2	12,501	12,600	46
3	12,601	12,700	47
4	12,701	12,800	48
5	12,801	12,900	49
6	12,901	13,000	50
7	13,001	13,100	84
8	13,101	13,200	85
9	13,201	13,300	87
10	13,301	13,400	88
11	13,401	13,500	90
12	13,501	13,600	91
13	13,601	13,700	93
14	13,701	13,800	94
15	13,801	13,900	96
16	13,901	14,000	97
17	14,001	14,100	99
18	14,101	14,200	100
19	14,201	14,300	102
20	14,301	14,400	103
21	14,401	14,500	105
22	14,501	14,600	106
23	14,601	14,700	108
24	14,701	14,800	109
25	14,801	14,900	111
26	14,901	15,000	112
27	15,001	15,100	114
28	15,101	15,200	115
29	15,201	15,300	203
30	15,301	15,400	205
31	15,401	15,500	208
32	15,501	15,600	210
33	15,601	15,700	213
34	15,701	15,800	215
35	15,801	15,900	218
36	15,901	16,000	220

1 16,001 16,100 223

2 16,101 16,200 225

3

4 Above \$16,200, use standard tax table."

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6 SECTION 4. Title 26, Chapter 51, Subchapter 5 of Arkansas Code
7 Annotated is amended to add a new section to read as follows:

8 "(a) A credit shall be allowed against the individual income tax
9 imposed by the Arkansas Income Tax Act, as amended, §26-51-101, et seq. to be
10 calculated in accordance with subsection (b) of this section.

11 (b)(1) The credit shall be equal to a percentage of the total amount
12 of OASDI tax paid by each taxpayer for the taxable year on taxable income up
13 to \$40,000. The percentage is dependent upon the taxpayer's filing status and
14 gross income as set forth in the table below. With respect to married
15 taxpayers, the combined gross income of both spouses is to be considered in
16 determining the applicable percentage.

17

18 FILING	GROSS	
19 STATUS	INCOME	CREDIT
21 Single	\$0 - 11,400	4% of OASDI tax
22		
23 Single	Greater than \$11,400	2% of OASDI tax on
24		first \$40,000 of
25		taxable income
26		
27 Married	\$0 - 16,200	4% of OASDI tax
28		
29 Married	Greater than \$16,200	2% of OASDI tax on
30		first \$40,000 of
31		taxable income
32		
33 Head of household	\$0 - 16,200	4% of OASDI tax
34		
35 Head of household	Greater than \$16,200	2% of OASDI tax on
36		first \$40,000 of

1 taxable income

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3 In no event shall the credit exceed the amount of credit that would have been
4 available if the total income of the taxpayer had been subject to OASDI tax
5 pursuant to 26 U.S.C. §§3101(a), 3201(a) or 3211(a).

6 (2) An equivalent income tax credit is allowed to taxpayers who
7 do not pay OASDI tax but who, in lieu of OASDI tax, pay a similar tax imposed
8 under federal law into a retirement plan which is not included in subsection
9 (e) of this section. The credit shall be equal to a percentage of the total
10 amount of tax in lieu of OASDI tax paid by each taxpayer for the taxable year
11 on taxable income up to \$40,000. The percentage is dependent upon the
12 taxpayer's filing status and gross income as set forth in the table in
13 subsection (b)(1) above. With respect to married taxpayers, the combined
14 gross income of both spouses is to be considered in determining the applicable
15 percentage. In no event shall the tax credit allowed under this subsection
16 exceed the amount of tax credit that would have been available under this
17 subsection if the taxpayer's income subject to the tax in lieu of OASDI tax
18 had been subject to OASDI tax. The Director shall determine whether a tax
19 payment is made in lieu of OASDI tax.

20 (3) With respect to taxpayers who pay both the employer and
21 employee portions of OASDI tax on taxable income, the amount of the credit
22 shall be limited to one-half of the OASDI tax paid on such income.

23 (c) The credit provided in subsection (b) may not be taken if the
24 taxpayer claims the exemptions provided by §§26-51-306 or 26-51-307(a), (b) or
25 (c). This credit may be taken if the taxpayer chooses to itemize his or her
26 deductions. This credit is included in the reduced income tax rates provided
27 by §26-51-302 so that taxpayers qualifying for the reduced rates will not
28 calculate a separate credit under this section.

29 (d) The Director may require such proof of payment of OASDI tax as he
30 deems necessary.

31 (e) As used in this section, 'OASDI tax' means the federal old age,
32 survivors and disability insurance tax imposed:

33 (1) upon an employee's wages or other income pursuant to 26 U.S.C.
34 §3101(a);

35 (2) upon the self-employment income of an individual pursuant to
36 26 U.S.C. §1401(a); or

1 (3) upon the income of an employee or employee representative
2 pursuant to 26 U.S.C. §§3201(a) or 3211(a) (Railroad Retirement Tax Act).

3 (f) As used in this section, the term 'taxable income' means wages,
4 salaries, tips, net earnings or other earned income upon which OASDI tax or a
5 tax in lieu of OASDI tax is imposed."

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7 SECTION 5. Ark. Code Ann. §26-51-201 concerning individual income tax
8 rates is amended to add a new paragraph to read as follows:

9 "(d)(1) Not later than December 15 of 1998, and each subsequent
10 calendar year, the Director shall prescribe a table which shall apply in lieu
11 of the table contained in §26-51-201(a) with respect to taxable years
12 beginning in the succeeding calendar year. The Director shall increase the
13 minimum and maximum dollar amounts for each rate bracket (rounding to the
14 nearest \$100) for which a tax is imposed under such table by the cost-of-
15 living adjustment (COLA) for such calendar year and by not changing the rate
16 applicable to any rate bracket as adjusted. The yearly COLA increase in each
17 rate bracket as provided in paragraph (2) shall apply to the brackets as
18 contained in §26-51-201(a) as in effect on January 1, 1998.

19 (2) For purposes of paragraph (1), the cost-of-living adjustment for
20 any calendar year is the percentage (if any) by which the CPI for the calendar
21 year preceding the taxable year exceeds the CPI for the calendar year 1997,
22 not to exceed three percent (3%). The CPI for any calendar year is the
23 average of the Consumer Price Index as of the close of the 12-month period
24 ending on August 31 of such calendar year. 'Consumer Price Index' means the
25 last Consumer Price Index for all-urban consumers published by the Department
26 of Labor.

27 (3) The new tables, as adjusted, shall apply for tax returns filed
28 for taxable year 1999 and thereafter, and shall be used by the Director in
29 preparing the income tax withholding tables pursuant to Ark. Code Ann. §26-51-
30 907."

31

32 SECTION 6. Ark. Code Ann. §26-51-502(b) relating to child care tax
33 credit is amended to read as follows:

34 "(b)(1) Section 21 of the Internal Revenue Code of 1986, as amended
35 and in effect on January 1, 1997, is adopted for purposes of determining the
36 allowable credit under the Arkansas Income Tax Act, as amended, §26-51-101 et

1 seq., for household and dependent care services necessary for gainful
2 employment.

3 (2) The amount of credit shall be twenty percent (20%) of the federal
4 credit allowable."

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6 SECTION 7. Ark. Code Ann. §26-51-404(b)(2) concerning the definition of
7 nontaxable income is amended to read as follows:

8 "(2)(A) So much of the gain, if any, resulting from the sale or
9 exchange of property which is located within the State of Arkansas, used by
10 the taxpayer as his principal residence, which shall, within a period
11 beginning two (2) years prior to the date of sale or exchange and ending two
12 (2) years after that date, be applied by the taxpayer to purchase, acquire,
13 construct, or reconstruct other property which is thereafter used or to be
14 used by the taxpayer as his principal residence if the new residence is within
15 the State of Arkansas;

16 (B) Gain from the sale or exchange of property if, during the 5-year
17 period ending on the date of the sale or exchange, such property has been
18 owned and used by the taxpayer as the taxpayers principal residence for
19 periods aggregating three (3) years or more. In the case of an unmarried
20 individual whose spouse is deceased on the date of sale or exchange of the
21 property, if the deceased spouse (during the 5-year period ending on the date
22 of the sale or exchange) satisfied the holding and use requirements of the
23 preceding sentence with respect to such property, then such individual shall
24 be treated as satisfying the holding and use requirements of the preceding
25 sentence with respect to such property;"

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27 SECTION 8. Ark. Code Ann. §26-51-305 concerning income from the sale of
28 a home is repealed.

29

30 SECTION 9. Arkansas Code 26-51-607 is amended to read as follows:

31 "(a) The amount of any cash refund allowed or made pursuant to the
32 provisions of this subchapter shall be determined as follows:

33 (1) If the household income of the claimants household was eight
34 thousand dollars (\$8,000) or less during the income year, the claimant shall
35 be entitled to file a claim for an amount equal to the ad valorem taxes paid
36 on the claimants homestead; however, the maximum refund any claimant may

1 receive under this subdivision shall be three hundred dollars (\$300);

2 (2) If the household income of the claimants household is more
3 than eight thousand dollars (\$8,000) but not more than nine thousand dollars
4 (\$9,000) for the income year, the claimant shall be entitled to file a claim
5 for an amount equal to the ad valorem taxes paid on the claimants homestead;
6 however, the maximum refund any claimant may receive under this subdivision
7 shall be two hundred fifty dollars (\$250);

8 (3) If the household income of the claimants household is more
9 than nine thousand dollars (\$9,000) but not more than ten thousand dollars
10 (\$10,000) for the income year, the claimant shall be entitled to file a claim
11 for an amount equal to the ad valorem taxes paid on the claimants homestead;
12 however, the maximum refund any claimant may receive under this subdivision
13 shall be two hundred dollars (\$200);

14 (4) If the household income of the claimants household is more
15 than ten thousand dollars (\$10,000) but not more than eleven thousand dollars
16 (\$11,000) for the income year, the claimant shall be entitled to file a claim
17 for an amount equal to the ad valorem taxes paid on the claimants homestead;
18 however, the maximum refund any claimant may receive under this subdivision
19 shall be one hundred fifty dollars (\$150);

20 (5) If the household income of the claimants household is more
21 than eleven thousand dollars (\$11,000) but not more than twelve thousand
22 dollars (\$12,000) for the income year, the claimant shall be entitled to file
23 a claim for an amount equal to the ad valorem taxes paid on the claimants
24 homestead; however, the maximum refund any claimant may receive under this
25 subdivision shall be one hundred twenty-five dollars (\$125);

26 (6) If the household income of the claimants household is more
27 than twelve thousand dollars (\$12,000) but not more than sixteen thousand
28 dollars (\$16,000) for the income year, the claimant shall be entitled to file
29 a claim for an amount equal to the ad valorem taxes paid on the claimants
30 homestead; however, the maximum refund any claimant may receive under this
31 subdivision shall be one hundred dollars (\$100).

32 (b) The refund shall be paid to the claimant as a cash refund. However,
33 no interest shall be allowed on any payment made to a claimant under the
34 provisions of this subchapter.

35 (c) If a claimant or another member of the household has any
36 outstanding tax liability to the State of Arkansas, the amount of any claim

1 otherwise payable under this subchapter, or such portion thereof as is
2 necessary, shall be applied to the payment of the outstanding tax liability."

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4 SECTION 10. The provisions of Section 9 of this act shall be applicable
5 for property tax refund claims filed in 1999 for property taxes paid in 1998
6 and subsequent years.

7

8 SECTION 11. This Act shall be effective on and after November 15, 1998
9 unless a constitutional amendment or initiated act shall be approved or an act
10 of the General Assembly shall become law before that date which exempts food,
11 either wholly or partially, from the Arkansas gross receipts tax. If a
12 constitutional amendment, initiated act, or act of the General Assembly
13 exempting food is not approved, then the provisions of Section 1, 2, 3, 4, 6,
14 7, and 8 of this Act shall be effective for tax years beginning on and after
15 January 1, 1998; the provisions of Section 5 of this Act shall be effective as
16 provided in that section; and the provisions of Section 9 of this Act shall be
17 effective as provided in Section 10.

18

19 SECTION 12. The withholding tables prescribed by the Director of the
20 Department of Finance and Administration pursuant to Ark. Code Ann. § 26-51-
21 907 shall not be amended for tax year 1998 to reflect the changes adopted by
22 this Act. If this Act becomes effective on November 15, 1998, the effect of
23 the various provisions of this Act for tax year 1998 shall be reflected on the
24 income tax return filed for that year. For all subsequent years, the Director
25 shall adjust the withholding tables as otherwise required by law.

26

27 SECTION 13. All provisions of this act of a general and permanent
28 nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas
29 Code Revision Commission shall incorporate the same in the Code.

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31 SECTION 14. If any provision of this act or the application thereof to
32 any person or circumstance is held invalid, such invalidity shall not affect
33 other provisions or applications of the act which can be given effect without
34 the invalid provision or application, and to this end the provisions of this
35 act are declared to be severable.

36

1 SECTION 15. All laws and parts of laws in conflict with this act are
2 hereby repealed.

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/s/Rep. Hogue, et al

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